

**Report**

**USAID/Madagascar  
A Review of the Impact of the KEPER  
Program on Environmental Policy in  
Madagascar**

**Lessons and Future Directions**

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# Report

## USAID/Madagascar A Review of the Impact of the KEPEN Program on Environmental Policy in Madagascar

### Lessons and Future Directions

By  
Asif M. Shaikh  
International Resources Group

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# Contents

## Acknowledgments

Contents .....	i
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<b>1. Introduction.....</b>	<b>1</b>
1.1 Terms of Reference .....	1
1.2 Underlying Objective .....	1
1.3 Format and Next Steps .....	1
<b>2. The Value-Added of KEPEM on ONE’s Ability to Develop Policies and Influence Decision-Making.....</b>	<b>2</b>
2.1 Attribution of Impact.....	2
2.2 Current Status and Priorities in Environmental Policy .....	2
2.3 Important Qualitative Impacts.....	2
2.4 Important Measurable Outcomes .....	3
2.5 Value Added – Past and Future.....	3
<b>3. The Importance of Environmental Policies Formulated or Reviewed with KEPEM Assistance and Their Current Stage of Implementation.....</b>	<b>4</b>
<b>4. Integration of Environmental Considerations into Sectoral Policies.....</b>	<b>5</b>
4.1 Overall Assessment .....	5
4.2 CIME and CNE .....	5
4.3 Cellules Environnementales in Sectoral Ministries .....	5
4.4 The Role of ONE .....	6
4.5 Institutional Incentives.....	6
<b>5. Policy Built at ONE.....</b>	<b>8</b>
5.1 Structure And Personnel of ONE’s Policy Department .....	8
5.2 Overall Assessment of Current Capacity .....	8
5.3 Peak-Load vs. Long Run Capacity Needs.....	9
5.4 Changing Needs for Technical Assistance.....	9
5.5 Issues and Opportunities .....	9
<b>6. Environmental Policy Roles and Responsibilities of ONE Relative to Other Malagasy Institutions .....</b>	<b>11</b>
6.1 Overview of Institutional Roles and Responsibilities.....	11
6.2 Important Issues .....	11
<b>7. Priorities and Modalities for Future Assistance .....</b>	<b>14</b>
<b>Annex 1: Terms of Reference .....</b>	<b>1</b>

# **1. Introduction**

## **1.1 Terms of Reference**

The terms of reference for this two-week assessment call for a review of Knowledge and Effective Policies for Environmental Management Program's (KEPEM) impact on Office Nationale de L'Environnement's (*ONE*) capacity to develop environmental policies, on the actual formulation and review of policies, on the integration of environmental considerations into key sectoral policies and on the clarification of the roles and responsibilities of key institutional actors in environmental policy. The complete terms of reference are contained in Annex 1.

## **1.2 Underlying Objective**

With the consent of USAID, this report goes beyond a narrow focus on the impact of the KEPEM program, for three reasons: first, the underlying goal is to help determine future priorities, rather than to evaluate KEPEM; second, many current sector leaders were not present during KEPEM's life, and therefore can shed more light on the current state of play regarding environmental policy than on the specific contributions of KEPEM; finally, attribution is difficult, because KEPEM was part of what has been described as a "cascade of initiatives" – by USAID and others – that have collectively transformed the environmental context in Madagascar. Therefore, where possible and appropriate, KEPEM contributions are singled out. However, there has been no systematic effort to trace attribution at the expense of understanding the current situation, issues and opportunities.

## **1.3 Format and Next Steps**

This report is an "input" to the work plan being developed by the IRG/EPIQ team in collaboration with Malgache partners and USAID. The format is deliberately that of a management brief that does not seek to detail background issues that are already well known. Moreover, since either the IRG Policy Advisor or Chief of Party was present at all meetings, the rich background and context from which this report draws is available to the team as it integrates the findings of this report into its Work Plan.

## **2. The Value-Added of KEPEM on ONE's Ability to Develop Policies and Influence Decision-Making**

### **2.1 Attribution of Impact**

Attribution is difficult. KEPEM was an important contributor to what exists now, but by no means the only one. The feedback from a wide range of sources suggests that without KEPEM, all aspects of environmental policy would be much less advanced than they are. It is not clear if KEPEM achieved its stated targets, and less clear still if those targets were realistic, or if they have remained relevant in light of the many fundamental political, institutional and substantive changes that have occurred since KEPEM was designed.

### **2.2 Current Status and Priorities in Environmental Policy**

What is clear is that there has been very significant progress since 1991, 1992 or 1995 in the understanding of what environmental policy is and why it is needed. Although there are important gaps, this understanding is fairly broad-based, and goes well beyond the confines of *ONE* and the formal environmental institutions. The breadth of the “demand” for environmental policy is impressive compared to most countries with similar institutional and economic capacity. However, this understanding is not necessarily deep. The strong and consistent feedback is that there is an immediate need to “operationalize” environmental policy. People perceive that they have received very little guidance on “what to do next” once policy guidelines have been agreed upon and the broad institutional framework has been established.

### **2.3 Important Qualitative Impacts**

From those who had first-hand knowledge of KEPEM, and from the written record, it appears that much of KEPEM's policy impact was through workshops, reports, training and other measures that sensitized people to policy issues, and advanced the conceptual basis for policy-making. To paraphrase one observer, KEPEM's work did not systematically lead to enacting policies, but instead to creating an environment in which policy-based approaches could take root. Many have expressed the view that this more general constituency-building may have turned out to be the right thing at the right time, because the sector was not yet ready to adopt and implement policy. Now that technical work, human resources and institutional capacity have deepened, the policy understanding built by KEPEM may be ready to pay off. Hence, most interviewees felt KEPEM's policy impact was strong and visible, but not best measured in terms of the number of policies adopted.

## 2.4 Important Measurable Outcomes

There are three notable exceptions to the above generalization. KEPEM did lead to measurable results in Environmental Impact Assessment, in sectoral policy analysis and in the revision of stumpage fees at MEF. In the first two areas, these results are helping move environmental policy to the next stage. MEF was, and remains, a problematic organization in a troubled sector. The very real progress made with respect to stumpage fees appears to have been undercut by institutional failures at MEF. When and if these institutional problems are resolved, the progress made on stumpage fees still provides the basis for the next phase of policy reform in this key sector.

## 2.5 Value Added – Past and Future

There has been great progress in the understanding of environmental policy, and in the institutional and human capacity to carry it forward. The change since 1991 is dramatic, and is even more striking since 1995. Direct attribution is not only difficult, it may miss the point: KEPEM contributed to a broader dynamic in which the demand for advancing the policy agenda has been largely “internalized”. Whether intended or inadvertent, this is a better outcome in the long run than if foreign technical assistance had led directly to enacting specific policy changes. In Madagascar as elsewhere, actual policy change is a very political process that cannot be separated from the complex political accommodation between powerful stakeholders. Except in a limited number of critical areas where NPA-type mechanisms are an appropriate tool, policy changes that do not reflect broader internal accommodation are often short-lived.

Looking to the future, there is virtually universal agreement that the greatest near-term potential for value added lies in helping operationalize the policy process. Rather than launching a new *volee operationalisation* in PE3, assistance should be focused on very specific operational issues that are already at the top of the policy agenda. Priorities include the REA, MECIE and EIA procedures, further articulation of the *cadre juridique* for environmental policy, and clarification of the specific roles of key institutions (national, regional and local) in developing, implementing, monitoring and enforcing sectoral environmental regulations.

### 3. The Importance of Environmental Policies Formulated or Reviewed with KEPEM Assistance and Their Current Stage of Implementation

The progress cited in the previous section is a measure of the positive change over the last decade. However, there are significant weaknesses as well.

The policy understanding and progress made to date remain:

- **Tana-based.** Even with parallel efforts in the field and at the center, interviewees tend to view field efforts as affecting peoples' daily lives, and policy efforts as affecting "public policy". This is not surprising since, as noted previously, most policies have not been operationalized yet. However, it is vital (and urgent) to foster the understanding that the "purpose of policy is to influence day-to-day decision-making", including on the part of rural populations. Throughout the world, efforts at "development by projects" have failed. The evidence shows that the sum of project activities will not be sufficient to change the fate of the environment, unless they are coupled with policy changes that promote systematic behavior change, including on the part of populations who are not affected by specific projects. Despite all the positive progress in the policy arena, this key understanding may have been lost, or at least forgotten.
- **Public sector oriented.** The majority of people interviewed feel that the proliferation of public-sector environmental institutions has become a major problem. Coordination itself absorbs enormous energy. More importantly, the energy spent on working out all the institutional roles and responsibilities makes it easy to forget that final environmental impact depends on the decisions of private actors (the sum of *societe civile*) who cannot possibly master the bewildering array of acronyms, and who fundamentally don't care about the institutional negotiations that absorb so much of our time and money. The "acronym soup" problem is probably worse in Madagascar's environmental sector than anywhere else in the world, for reasons that stem from the enormous international interest in Madagascar's biodiversity. As we move towards "implementation", institutional complexity is likely to make it even harder to break out of inwardly focused, purely public sector habits.
- **Conceptual rather than operational.** As already noted, it is not necessarily negative that much of the progress to date has been at the conceptual and political levels. Experience in other countries suggests that it is important to consolidate this level of understanding and agreement. However, the greatest value added at this point will be from implementing policy change.



## **4. Integration of Environmental Considerations into Sectoral Policies**

### **4.1 Overall Assessment**

Important and fairly effective mechanisms exist to promote (and possibly assure) integration of environmental considerations in sectoral plans and policies – at least to some extent. A broad-brush view of the institutional framework suggests that it is both rational and appropriate. The three key components of the current framework are (a) *ONE* and the Ministry of Environment (b) the CIME and CNE, and (c) the *Cellules Environnementales* in sectoral ministries. At the “broad-brush” level, experts may differ on what the best framework should be, but the current one is certainly not bad, especially relative to many other developing countries.

### **4.2 CIME and CNE**

In at least one important case, CIME has effectively performed its role as a “Board of Directors” for environment (a role it shares with CNE). When proposed mining codes brought to CIME did not contain appropriate environmental provisions, CIME intervened to have them put in. CIME appears to need stronger institutional support for the analysis of issues. Its Secretariat is housed in the Ministry of Environment, whose institutional capacity and resources are very thin (the Ministry’s entire annual budget is about \$175,000). CIME has sometimes been criticized for not doing enough. While it is important to strengthen its capacity to analyze issues (and therefore to make informed decisions), such an effort should not necessarily seek to expand its mandate or to increase the number of decisions it makes. CIME and CNE play a potentially very important role as a “Board of Directors” that provides a forum for resolving crosscutting and high level issues that cannot be resolved at lower levels. As with a company’s Board of Directors, a few important decisions may be more valuable than a stream of lower-level activity, and may well be enough.

### **4.3 Cellules Environnementales in Sectoral Ministries**

The *Cellules Environnementales* in the Ministries of Mining and of Industry are having a strong influence on advancing the environmental agenda within their respective sectors. A later section of this report (on institutional roles and responsibilities) details some of the important problems and institutional uncertainties that remain to be addressed. However, each of these ministries appears committed to assuring that environmental considerations are “systematically” integrated into sectoral policies, and that environmental criteria are systematically met in sectoral investments by the private sector. Each is aware of the environmental issues in its sector, and each appears committed to developing and/or applying environmental legislation, regulations and *textes*.

While there is also a *Cellule Environnementale* in the Ministry of Tourism, it is far less advanced than its counterparts in mining and industry. In many respects, Tourism’s dilemma is

representative of the problem that many (possibly most) of the smaller ministries will face. In a very clear and insightful analysis, the Acting Director General of the Ministry stated the problem as follows:

- Tourism is a very small ministry. Until recently, it was just a *Direction*. Therefore, it has limited staff and budget. With an overall government-hiring freeze, it cannot add staff. Its *Cellule Environnementale* consists of only one person with no training or background in environment. He cannot possibly master the complex environmental issues that need to be addressed, to say nothing of assessing the important *dossier environnementals* that are already before the Ministry awaiting action. For a ministry like this, a separate *Cellule* may not make sense. It may be more useful to have a centralized (or “pooled”) capability to get around this problem.

During this brief mission, it will not be possible to assess all of the issues underlying this statement. It is, however, important to dig deeper into them, since they have obvious implications for integrating environmental considerations into sectoral policies outside of Mining and Tourism:

- First, what percentage of Ministries face the same problem?
- Second, if there is a need for a “pooled” environmental capability, how should it be organized and where should it be housed?
- Finally, if only some ministries have separate *cellules*, while others depend on a central or “pooled” capability, what environmental authorities should be delegated to the Ministries?

#### **4.4 The Role of ONE**

*ONE* has an obvious role as the core agency for environmental policy, and as the source of much of the analysis and information (including MECIE) on which new institutions are based. Outside of this obvious role, however, the feedback from Mines, Industry and Tourism is that they do not consider *ONE* to have very close working level contacts with their *Cellules Environnementales*. It may be too early to judge these relationships because the legal framework linking *ONE*/Ministry of Environment to sectoral environmental cells is not yet in place.

#### **4.5 Institutional Incentives**

The degree to which certain sectoral ministries have internalized the need for environmental standards is striking, given that there is no coherent national framework of environmental regulations that requires them to do so. Three factors have been cited as having contributed to this: (a) the long efforts (including by *ONE*, with KEPEN assistance) to increase environmental awareness has created a widespread *reflexe environnementale*; (b) the general environmental

awareness within Malgache culture and (c) the high-level political priority placed on environment, as reflected in the President's campaign slogan of *Humanisme Ecologique*.

These factors may have been sufficient to help create an institutional framework for environmental policy. However, they may not be sufficient to provide the day-to-day institutional incentives to monitor and enforce policy implementation. In some case, such as MEF, the counter incentives to violate stated policies are clear and powerful. Similar counter incentives will exist in sectoral ministries when economic and environmental interests collide. It is important to put in place the *cadre juridique* that formalizes legal responsibilities. In addition, information and transparency have a vital role to play. Madagascar is not the first country to encounter the thorny problems of policy enforcement in the context of poverty, weak institutions and relatively closed bureaucratic traditions. Madagascar would benefit from reviewing and potentially adopting existing models for increasing transparency and information disclosure.

## 5. Policy Built at ONE

### 5.1 Structure and Personnel of ONE's Policy Department

ONE has a Department of Environmental Policy with four *Cellules*, whose structure and personnel are summarized below:

<b>Departement des Politiques Environnementales</b>	
<b>Director</b>	
<b>Cellule Politiques Environnementales</b> <ul style="list-style-type: none"><li>❑ Economist / statistician (Chef)</li><li>❑ Chemist / EIA &amp; energy specialist</li></ul>	<b>Cellule MECIE</b> <ul style="list-style-type: none"><li>❑ Forestry engineer (Chef)</li><li>❑ Agriculture / environment engineer</li><li>❑ Jurist</li><li>❑ EIA specialist / chemist</li></ul>
<b>Cellule de la Gestion de Pollution</b> <ul style="list-style-type: none"><li>❑ Chemist (Chef)</li><li>❑ Economist / planner</li></ul>	<b>Cellule Appui Scientifique</b> <ul style="list-style-type: none"><li>❑ Biologist (Chef)</li></ul>

The entire staff is Malgache. Most staff are young, well-trained and motivated. Team spirit, commitment to the sector and to professional standards appear good. Most staff are new, and need more practical work experience to develop their skills.

### 5.2 Overall Assessment of Current Capacity

Overall, ONE's current capacity in environmental policy provides a good human resources and institutional base on which to build. There are "holes" to be filled, and some weak links. However, compared to many developing countries with similar socio-economic conditions, this capacity can be considered very strong. Some of the professional staff have outstanding intellectual and technical skills, although sometimes still short on experience.

The organizational culture and pay scales of a semi-public organization such as ONE appear to have contributed to positive morale and a relatively "can-do" attitude, while also raising obvious questions of institutional sustainability without donor support. Many department staff feel they are overworked, and have limited ability to focus on their true longer-term agenda.

### 5.3 Peak-Load vs. Long Run Capacity Needs

The Department's institutional capacity (with some exceptions) may be a strong basis for meeting the longer run, "steady state" needs of *ONE*'s role. However, it faces an acute peak-load requirement during a time when policies and structures must be put in place, even while more routine, on-going functions must be managed. Typically, this kind of growth phase also puts a premium on leadership, vision, intellectual capacity and management systems, placing particular strain on the best and most dynamic elements in the organization.

### 5.4 Changing Needs for Technical Assistance

The institutional capacity in place has benefited greatly from donor assistance, particularly via training (long and short term) and short-term definitional missions. However, the capacity is much greater than it was even a few years ago, and the Department therefore requires very different types of technical assistance than it did in the past. The Director General of *ONE*, the Department Director, and all staff interviewed have spoken forcefully of "the need to go from substituting for national capacity to supporting national capacity." While this may strike some who are afflicted with "donor fatigue" as a familiar cliché, it is, in the opinion of this observer, important, highly relevant to *ONE*'s current needs, and eminently doable. Making this transition will require rethinking how expatriate technical assistance is used, and how its performance is measured and evaluated. It will also require adjusting both the quantity and quality of measurable results expected in the near term. It is likely to tax TA instincts for self-protection (get the job done, do it yourself to assure quality, look as good as possible) and donor contractual instincts (require specific, measurable accomplishments, hold TA responsible for performance, make contracts as tight as possible). None of these issues is trivial or easily resolved, but they must be successfully addressed if we are to capture the very real opportunity to internalize institutional capacity.

### 5.5 Issues and Opportunities

Technical assistance has done a good job in training and building understanding of policy issues. It is generally felt that efforts erred on the side of "too much paper" and too many general reports. The underlying issue appears to be more subtle, however. Precisely as a result of past assistance – and of *ONE*'s own capacity building efforts – the Department has now outgrown the forms of assistance it previously received. Past assistance is judged valuable, and it was strongly urged that future assistance should not just change course, but should build on and *valorise* past efforts by assisting *ONE* staff to apply the conceptual understanding to real-life, operational problems, some of which now require urgent attention.

As *ONE* staff undertakes this transition, it also faces another important challenge. It must respond to the changing institutional landscape in environment, and particularly in environmental policy. At the highest policy levels, *ONE*'s relative monopoly on environmental policy must now accommodate the emerging roles of the Ministry of Environment, of CIME and of the CNE. At the operational level, the *Cellules Environnementales* at sectoral ministries are defining their

niche in regulation, monitoring and legislation. Regionalization (as via the REA) also challenges *ONE* to find ways of relating to new and decentralized needs. In short, *ONE* is in transition from being the *de facto* vehicle for environmental policy to being the policy engine. It is trying to (and needs to) strengthen its ability to be responsive to other institutions, and to have operational impact. That is, to be more demand-driven, while at the same time establishing and maintaining standards and momentum.

The rapidly changing institutional landscape also creates risks, as the inevitable institutional jockeying for position is unleashed. *ONE* seems well aware of this. There is, however, also a substantial risk that donors – through their dominant role in financing – can inadvertently influence new institutional roles in ways that were neither sought nor preferred.

USAID assistance is already influenced by the changing institutional landscape. Specifically, both LDI and EPIQ are formally attached to the Ministry of Environment, rather than to *ONE*. EPIQ can also work with sectoral ministries, and at the regional level. The choices made and assistance provided by EPIQ will therefore influence the state of play. Technical assistance can play a very positive role in this process by helping all institutions to define emerging operational roles, such as in the application of MECIE and through the REA. This should be done with careful consideration of the institutional impact.

## 6. Environmental Policy Roles and Responsibilities of ONE Relative to Other Malagasy Institutions

### 6.1 Overview of Institutional Roles and Responsibilities

If we abstract from the institutional details – and from the current proliferation of institutional acronyms at the AGEX level – there are four broad components to the institutional framework for environmental policy in Madagascar:

- **The Policy and Political Forum.** CIME and the CNE serve as high-level and crosscutting fora to resolve issues and achieve political consensus. Their roles are like that of a Board of Directors. The roles are of immense value in making policy stick. Capturing this value does not necessarily require a high level of activity.
- **The Policy, Standards and Operations Engine.** This role is fulfilled collectively by the Ministry of Environment and *ONE*. Prior to creation of the Ministry, *ONE* largely played the role alone. The two institution authorities within this component are not yet fully defined, “but are being worked out between them.” However, their collective role vis-à-vis other institutions is fairly well-defined, although it remains “fuzzy at the edges”, and must be translated into operational procedures that reflect the theory.
- **The Sectoral Ministries.** They are closest to the investors and private actors whose decisions must be influenced for policy to work. In principle, the sectoral ministries’ roles is operational and sector specific, translating policy and legislation into adaptable sector regulations. In practice, some Ministries are willing to go farther when they find a policy vacuum, as the Ministry of Industry already has.
- **The Regional and Local Authorities.** This component remains the least defined. It will, however, be strongly influenced (possibly determined) by the forthcoming REA process. All interviewees agree that the REA process is very important to the future evolution of the sector.

### 6.2 Important Issues

While the overall structure of the sector is good, and can be consistent with an efficient allocation of roles, there are a number of gray areas that remain to be defined. That definition can have a positive or negative impact depending on how it develops. In some instances, such as the definition of roles and responsibilities in applying MECIE, and in regionalization, there is widespread demand for technical assistance to help identify workable models. In other instances, such as the definition of the Ministry of Environment’s mandate relative to *ONE*’s, foreign TA may well complicate what may need to be an internally agreed accommodation.

*ONE* is strong, well established and well managed. This should count as a major success of donor assistance, including through KEPEM. *ONE* is, however, moving to a very new phase of activities.

The newly created Ministry of Environment is seeking international financing, while simultaneously carving out its role. Much of its role will necessarily come from territory that *ONE* has previously occupied, either by design or *de facto*. In separate interviews, both the Minister and the Director General of *ONE* offered a consistent vision of their respective roles: The Ministry has final authority for policy making and for inter-ministerial and high-level coordination (such as through CIME and CNE); *ONE* has operational authority, and coordinates the AGEX; the Ministry, while retaining policy authority, can draw on *ONE* (as an arm of the Ministry) for policy formulation; the Ministry can delegate to *ONE* the implementation of regulatory and enforcement functions that require ministerial authority to have legal standing. While this set of definitions seems clear, it leaves a number of issues undefined. Moreover, it is not a written agreement at this stage. If USAID responds favorably to the Ministry's request for funding, it is strongly recommended that this not become the means of generating a donor-led clarification of the two organizations' roles. Instead, it would seem more appropriate "to ask the Ministry and *ONE* to provide their own statement of their respective roles and responsibilities."

The Ministry of Industry has filled a perceived policy vacuum by proposing a sector-specific environmental law that was passed by the National Assembly on August 19, 1999. Since there is not yet a law behind MECIE (which is a *decret* based on the *Chartre Environnementale* which itself has no formal legal standing), the Industry Law must eventually be reconciled with MECIE legislation when it is adopted.

The operational role to be played by the *Cellules Environnementales* can be fairly well defined, depending on what institutional models are adopted. EPIQ's EIA consultant is working to help define such a model. However, until such a model is accepted and adopted, there is great potential variation (and therefore ambiguity) in what those roles might be. At issue are such questions as whether each ministry has its own legislation or is accountable to a common *cadre juridique*; whether the *Cellules Environnementales* or the Ministry of Environment issues environmental permits; whether the *Cellules Environnementales* or Ministry of Environment/*ONE* monitors environmental performance and enforces regulations. Each of these issues, in turn, has significant implications for the institutional capacity needed within the different *Cellules Environnementales*, and/or centrally.

In light of the above, the Minister of Environment has stressed the importance of developing a *cadre juridique* for environmental policy. His concern appears to be well founded. At the same time, the legislative framework should not be developed independently of the definition of institutional roles. While important, and possibly urgent, development of the *cadre juridique* needs to be an iterative process.

The regionalization initiative needs to assure that it does not simply recreate the complex web of public institutions at multiple, decentralized locations. It is not just a matter of decentralizing public functions to the regions. It will also require a clearer definition of the role of the state as policy maker, regulator and facilitator, but not as a primary economic actor. In most countries



that begin from the same state-oriented institutional traditions as Madagascar, this transition has proved relatively difficult, because it involves instilling entirely new ways of thinking into public institutions, and because internationally-funded public organizations can control vastly more resources than the private sector, especially at the regional and local levels.

Finally, the regionalization process must also define institutional roles that are workable within the realistic institutional capacity of regional entities. Already, some smaller national ministries (such as Tourism) are struggling to find the resources and capacity to operate a *Cellule Environnementale* or to play an effective environmental role. Poorly conceived decentralization of functions can exacerbate the capacity problem, potentially fostering non-enforcement, corruption or abuse. There are relatively proven ways of addressing this issue, through creating a hierarchy of functions and authorities at the local, provincial and national levels that are consistent with realistic capacity and legitimate allocation of powers. Over time, as capacities develop, this allocation can also be updated to move closer to the ideal. A number of actors (including the EPIQ Policy Advisor and the EPIQ EIA consultant) are helping to address this issue, which should receive priority attention.

## 7. Priorities and Modalities for Future Assistance

The technical assistance priorities listed below are drawn from specific feedback obtained in interviews with GOM and donor representatives, as well as from the perspective gained through reviewing the full range of issues assessed during this mission. The priorities are, necessarily, tentative. They are meant to inform the next stage of work planning and investigation, rather than to be final recommendations.

1. **Retain a strong focus on training**, both overseas and in-country. Training has had a very positive impact, and is much appreciated. Its emphasis should shift from conceptual to operational issues. Within *ONE*, this means that some of the training role needs to focus on “learning by doing”. This, in turn, implies that TA will be involved in relatively less isolated report writing, and relatively more joint problem-solving side by side with *ONE* counterparts.
2. **Shift from technical assistance serving as a substitute for Malagasy capacity to its being a support to national staff**. National institutions are in a new phase of their development. This phase calls for new modes of technical assistance, so as not to smother the very internalization and sustainability that assistance seeks to promote. This transition may require changes in work habits and in contracting modes.
3. **Develop and understand new assistance modalities as the “next phase” of technical assistance, rather than as a “change of direction”**. Even as new modalities are developed, it is important to build on the widely accepted value of what has been done in the past. There was little or no feedback that we need to “change direction”. Indeed, a number of interviewees felt that changes in direction mandated by donors are disruptive and undercut the institutional confidence of national entities. In previous years, TA was seen as taking the lead while national specialists gained exposure to concepts and approaches. In this phase, national specialists will take the lead, by applying what they have learned, with focused support from TA. It is the same direction, but a different phase.
4. **Use the advent of PE3 as an opportunity to help simplify institutional structure with respect to the AGEXs**. The AGEX (including *ONE*) are widely perceived as donor creations. Many are seen as resulting from donor desire to create their own, relatively compliant Malagasy *interlocuteurs*. The proliferation of institutions is costly, creates ambiguity and some unnecessary conflict, and absorbs enormous institutional energy for coordination alone. More importantly, it is confusing to the very private decision-makers (investors, rural populations, and *societe civile* at large) to whom the institutions are intended to send clear policy signals.
5. **Develop the information and statistics needed to enforce environmental policy**. Without simple, clear and easily understood monitoring information, it will be very difficult to enforce the regulations currently being developed. For example, the “polluter pays” principle (which is part of the Ministry of Industry legislation, and an important economic instrument in environmental policy) becomes unenforceable without credible

statistics. As sector policy, it would be unmanageable and far too costly if the statistics must be generated through periodic and plant-specific studies. Investment in monitoring and statistics is a necessary complement to newly developed policies.

6. **Use information and public disclosure as a “wedge” to break out of government-centered environmental action, and to create greater transparency.** Many of the most intractable current problems in enforcing environmental policy (such as the problems within MEF) are, at their root, problems of “governance and transparency.” It is unrealistic to expect environmental programs alone to solve problems with much deeper socio-political origins. However, it is even more unrealistic to expect environmental policy to succeed if they are not addressed. Performance monitoring and public disclosure of information can serve an important “audit function”, and can unleash powerful pressure for reform. They have been used successfully in Indonesia, India and elsewhere, where incentives to undercut official policy are at least as strong as they are in Madagascar. At an even more fundamental level, they can become a powerful force for increasing “transparency” and for reinforcing the belief that the environment and resource base belongs to the country, and not just to those who manage it. Simple, proven tools are available to do this, and should be considered during the next phase of environmental policy implementation in Madagascar.
7. **Use the REA process as an opportunity to clarify not just how the “center” relates to the regions, but also how the government relates to the private economy through environmental policy.** The issues involved have been discussed in a previous section, so they need not be detailed again here. By all accounts, the REA process is important, and merits involvement by USAID, if for no other reason but that it will be influential in shaping how environmental policies are implemented.
8. **In expanding assistance outside of ONE, focus on the operational issues in environmental policy implementation.** These issues, detailed in previous sections, include clarifying the roles and responsibilities of the sectoral Cellules Environnementales in monitoring and enforcing regulations, clarifying the authorities and institutional requirements of regional and local institutions, helping create the information base for monitoring and enforcement and helping flesh out the specifics of environmental legislation, *decrets* and *textes*.
9. **Give priority attention to helping develop and support Malagasy private consulting firms as a key policy implementation tool.** We are currently asking the Malagasy public sector (including the AGEXs) to play roles that are generally fulfilled by the private sector in industrialized countries. Not only does this strain the realistic capacity of institutionally weak and underpaid organizations, it can soon create fundamental institutional conflicts of interest. For example, MECIE requires environmental impact assessments for new investments. These EIA’s will then serve as the basis for granting or denying environmental permits. Who will do them? With few exceptions, the *Cellules Environnementales* lack the in-house capacity. Some *Cellules Environnementales* – and certainly ONE – have or can develop the capacity. But to do so would be to become judge and advocate at the same time, since they each have core mandates to develop

policies and regulations, to monitor performance and to enforce laws. In the medium to long run, “private Malagasy consulting firms have an important role to play as part of a sustainable institutional framework”, yet donor assistance has tended to focus almost exclusively on public or semi-public institutions.

10. **Help focus on seeing environmental policy – and economic opportunity – from a private investor perspective.** Whether we think of large investors (such as industrialists), or small ones (such as farmers investing in agricultural intensification), their primary motivation is to create economic opportunity for themselves. Environmental policy – especially through a transparent regulatory framework – seeks to protect the environment “without stifling economic initiative or undercutting the critical goal of economic growth and poverty alleviation.” Focusing on the “investor perspective” alters the criteria on which to base institutional and policy choices. For example, there may be good arguments for and against having the sectoral *Cellules Environnementales* develop and enforce regulations within their own sectors. However, if we speak to investment groups throughout the world, they argue strongly in favor of “one-stop shopping”, where rules are clear, uniform, transparent and well publicized. If investors in tourism face different rules and institutional obstacles than investors in industry, tourism investment will tend to suffer. If investors in any sector must navigate their own way through a complex array of public sector permits and/or conflicting regulations, it has been demonstrated again and again that overall investment levels and economic growth will suffer. Malagasy public sector institutions seem to be reasonably aware of and receptive to this perspective. Donor environmental policy assistance can help reinforce and operationalize it. The CNE, Chambers of Commerce, Farmer Groups, Rural Organizations and other representatives of *societe civile* have a vital role to play as intermediaries in the development of operational procedures for environmental policy.

# **Annex 1**

## **Terms of Reference**

### **Review of Kepem Impact on Environmental Policy**

#### **Objective:**

A rapid review will be undertaken of the impact of the KEPER project team and USAID from 1994-1999 in achieving stated program objectives in the area of environmental policy. The results of this review will be used as an input into the IRG/EPIQ workplan process, especially in terms of the scope and focus of EPIQ technical assistance over the first year of the workplan.

#### **Key Questions:**

##### **Environmental Policy Development**

- 1) Assess the value added of KEPER's intervention on ONE's ability to develop environmental policies or to influence decision making on natural resources and biodiversity matters. Value added should be measured in terms of policies enacted and sustained and the impact on country environmental patrimony.
- 2) A key responsibility of KEPER was to assist ONE in formulating and reviewing environmental policies. Assess the importance of the environmental policies formulated or reviewed with KEPER assistance and their present stage of implementation.
- 3) What progress has been made in integrating environmental considerations into key sectoral policies, especially mining and tourism codes.
- 4) What institutional capacity has been developed (and remains) at ONE which was aided through KEPER assistance.
- 5) Describe the present roles and responsibilities of ONE in the formulation and review of environmental policies viz a viz other Malagasy institutions (Min. Environmental, CIME, CN).
- 6) What have been the strengths and weaknesses of the modalities of assistance provided to ONE? What modalities appear to be most relevant for the future?

#### **Review Team:**

EPIQ: John Pielemeier, Bill Kaschak, Robert LaBlanc

**Methodology:**

- a) Thorough review of key project documents and related reports (JP)
- b) Preparation of list of questions which need further elaboration through interviews. (JP)
- c) Interviews with GRM officials at ONE and other institutions; with USAID and USAID partners, with EP (GW, JR, and JP)
- d) Preparation of 5-10 page report summarizing results and their implications for EPIQ planning. (JP and GW)

**Timing:**

This report should be available in final form by Sept. 24 (the date of the EPIQ workplan submission). However, initial findings of the review will be provided to the EPIQ team and will be available for use in decision-making regarding the content of the workplan.